

ASK THE TIC

REPAIR AND WARRANTY RE-EXPORTS

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Trade Information Center

Companies use merchandise and machinery from all over the world. Sometimes goods must be returned to their country of origin for repair and maintenance. In international trade and shipping logistics, there are two scenarios for U.S. companies dealing with repairs. First, a U.S. company imports defective merchandises from a foreign buyer for repair and then re-exports the repaired merchandise back to the customer. Second, U.S. customers return merchandise to a foreign country for repair and then re-import it. In both scenarios, U.S. companies should contact their local Customs office for exact procedures.

WHAT ARE THE PROPER PROCEDURES FOR SENDING A REPAIR TO A FOREIGN COUNTRY?

When sending merchandise abroad for repairs or alterations, you should register it with U.S. Customs before shipping it to avoid paying U.S. import duties upon its return. Use Customs Form CF 4455, "Certificate of Registration," available at your local Customs office. A CF 4455 demonstrates prior ownership.

Step 1: Take the item to the nearest customs office for certification. Customs will give you CF 4455 in duplicate for you to complete and verify that the CF 4455 is accurate and authorize it.

Step 2: Enclose the original CF 4455 with the merchandise you are sending abroad.

Step 3: Be sure to instruct your foreign supplier to return the CF 4455 with the repaired item and to mark on the outside of the return package: "Repaired/Altered Merchandise B CF 4455 enclosed."

Step 4: Keep the duplicate in case something goes wrong to demonstrate that you are liable only for the duty on the repair and not on the entire article.

WHAT PROCEDURES SHOULD FOREIGN CUSTOMERS FOLLOW WHEN SENDING AN ITEM TO THE UNITED STATES FOR REPAIR?

Customers in other countries should first check with their own Customs Authority and register the merchandise

before sending it to the United States for repair. Every country's Customs Authority has a different procedure and documentation for repairs, so it is important that you stress this registration with your foreign customers before they ship the merchandise back to your company.

With regard to U.S. Customs, goods to be repaired may be imported under Temporary Importation under Bond (TIB) procedures. The U.S. importer should contact the local Customs office for procedures and bonding requirements.

IF I EXPORT MERCHANDISE FOR REPAIR, DO I HAVE TO REPAY DUTY AND TAXES ON THE ITEM WHEN IT IS RETURNED?

The value of the repairs performed abroad may be dutiable even if the item being repaired is not. When a company imports merchandise after being repaired, duties and taxes are usually paid only on the repair and not the entire good, provided the company has followed the proper Customs procedures before shipping the item to its country of origin (otherwise duties will be levied on the entire value). Other conditions may affect the dutiability of the item to be repaired, and it is important to contact your local Customs office to understand these special conditions.

HOW SHOULD A COMPANY SHOW THE VALUE OF THE REPAIR ON THE COMMERCIAL INVOICE? WHAT IF THE ITEM IS UNDER WARRANTY?

The value of a repair should be listed on the commercial invoice. If the repair is a sale, then the invoice should reflect the transaction value. If it is not a sale (for example the repair is under warranty), then the company could list the value as its cost (wholesale value), fair market value, or the company's cost of production if it performed the repair.

Most importantly, the company should write the following sentence on the commercial invoice: "No charge: Warranty Repair Value for Customs purposes only." Even with this demarcation on the commercial invoice, the value of repair, even if under warranty, is dutiable in the United States

WHAT HARMONIZED SYSTEM OR SCHEDULE B NUMBERS APPLY TO REPAIRS?

The Harmonized System (HS) numbers that apply to repairs are 9801, 9802 and 9813 as well as Schedule B number 9801.10. These classifications are important

both for duty and tax determinations and for trade statistics. Proper classification clarifies that duties and taxes are applicable to only the value of the repair and not the value of the full item. For trade statistics, using the 9801 and 9802 headings will ensure the U.S. Census Bureau includes only the repair value in the trade statistics and will not double-count the item.

U.S. companies importing items to be repaired from a foreign buyer should instruct their customers to use HS number 9801.00.1012 on their shipping documentation. After the U.S. company repairs the item and is ready to re-export, it should use Schedule B number 9801.10.0000.

Conversely, U.S. companies exporting items to be repaired by a foreign supplier should use the appropriate chapter 1-97 Schedule B number. When the item is repaired and returned to the United States, the item should be classified under HS code 9802.00. More specifically, 9802.00.40 should be used for repairs or alterations made under warranty and 9802.00.50 should be used for shipments not under warranty. If filing a paper SED, it is necessary to state the items will be repaired and returned to the U.S. If filing an SED electronically through Automated Export System (AES) the code TE (indicating temporary export) should be entered in the export information field.

When using a 9813 number, it should be noted that these are Temporary Importation Under Bond Numbers and these goods must be exported within one year of importation as a condition of importing using this provision. Under the TIB provision (9813) articles may be imported for up to one year with up to two additional one-year extensions giving the importer a maximum time of three years for these articles that were imported for repair to remain in the United States.



WHAT HARMONIZED SCHEDULE OR SCHEDULE B NUMBERS APPLY TO REPLACEMENT PARTS?

Companies exporting replacement parts, including warranty replacement, for installation abroad should report those items under the Harmonized System or Schedule B number for such parts and list the selling price or cost, if not sold.



HOW SHOULD THE SHIPPER'S EXPORT DECLARATION (SED) BE COMPLETED TO PROPERLY REFLECT REPAIR TO AN ITEM?

When a good is returned by a foreign buyer to the U.S. manufacturer for repairs, fixed, and then re-exported, the U.S. firm must file a new SED for the repaired good. The following information is to be included on the new SED:

1. Field 22: Provide the Schedule B Number and include below it the following text: "merchandise being returned or otherwise exported after repair or alteration in the United States." The merchandise should be reported as "domestic" under Schedule B number 9801.10.0000 with the proper shipping weight reported.
2. Field 26: The value reported on the SED for such merchandise should reflect only the cost of the repairs or alterations (including parts and labor). If no charge is made for the repairs or alterations, such as repairs under warranty, report a value representing the cost of such repairs or alterations to the manufacturer.

If the value of the repairs or alterations is \$2,500 or less, or the merchandise is being shipped to Canada or to U.S. Territories other than Puerto Rico and the Virgin Islands, no SED is required. When an SED is not required, the bill of lading, airway bill, or other loading document used by the exporting carrier must include the following statement: "No SED required — value of repairs or alterations \$2,500 or less."

For more information, contact:

For questions about repairs, documentation requirements and other country or export-related information visit the Trade Information Center's website at www.export.gov/tic or call 1-800-USA-TRAD(E).

To find your local U.S. Customs office and obtain information on import and export regulations visit www.customs.gov or call toll free at 1-877-287-8667.

For questions about Schedule B Numbers, please visit www.census.gov/foreign-trade/www/

For questions about filling out the SED call the U.S. Bureau of the Census at 1-301-457-2238. ■

FOR MORE INFORMATION

The Trade Information Center (TIC) is operated by the International Trade Administration of the U.S. Department of Commerce for the 19 federal agencies comprising the Trade Promotion Coordinating Committee. These agencies are responsible for managing the U.S. Government's export promotion programs and activities. You, too, can "Ask the TIC" by calling 1-800-USA-TRAD(E) toll free, Monday through Friday, 8:30-5:30 EST. Or visit the TIC's website at www.export.gov/tic.